



MICHIGAN ECONOMIC UPDATE

Economic and Revenue Forecasting Division
Bureau of Tax and Economic Policy
Michigan Department of Treasury
<http://www.michigan.gov/treasury>

November 2004 Summary

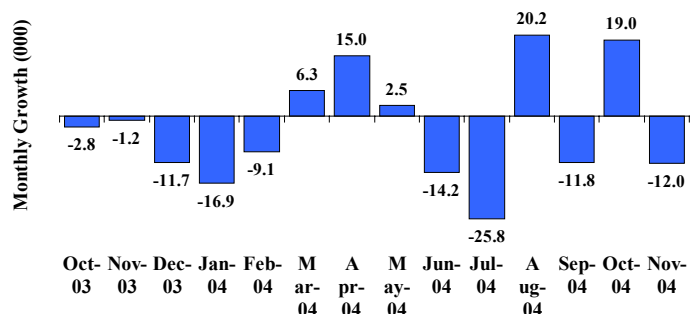
U.S. Economy: In November, U.S. economic indicators remained mixed. The ISM manufacturing index and the non-manufacturing index signaled sector growth for the 18th and 20th straight month, respectively. Housing starts fell 13.1 percent. Consumer sentiment rose slightly, after having declined for three straight months. Similarly, the index of leading economic indicators rose after five straight monthly declines. Industrial production rose 0.3 percent. After two months of strong growth, retail sales grew only slightly in November, restrained by the second monthly decline in motor vehicle related sales. Excluding autos, retail sales rose 0.5 percent from October. Payroll employment rose less than anticipated (see below).

Employment: Michigan's employment fell for the fourth time in the last six months, falling by 12,000 jobs. Job losses in professional and business services (-8,000) and manufacturing (-7,000) more than accounted for the decline. The state's unemployment rate rose 0.4 of a percentage point to 7.0 percent. Nationally, payroll employment increased by 112,000 jobs. The U.S. unemployment rate fell 0.1 of a percentage point to 5.4 percent.

Auto Industry: November light vehicle sales fell to a 16.3 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production was down 8.8 percent compared with a 5.9 percent decline nationally. Light vehicle inventories were up 3.7 percent from a year ago; days supply increased by 4 days to 79 days.

Inflation: Compared to a year ago, overall U.S. consumer prices rose 3.5 percent. Excluding volatile food and energy prices, "core" consumer prices rose 2.2 percent. Oil prices have moderated from their record nominal highs.

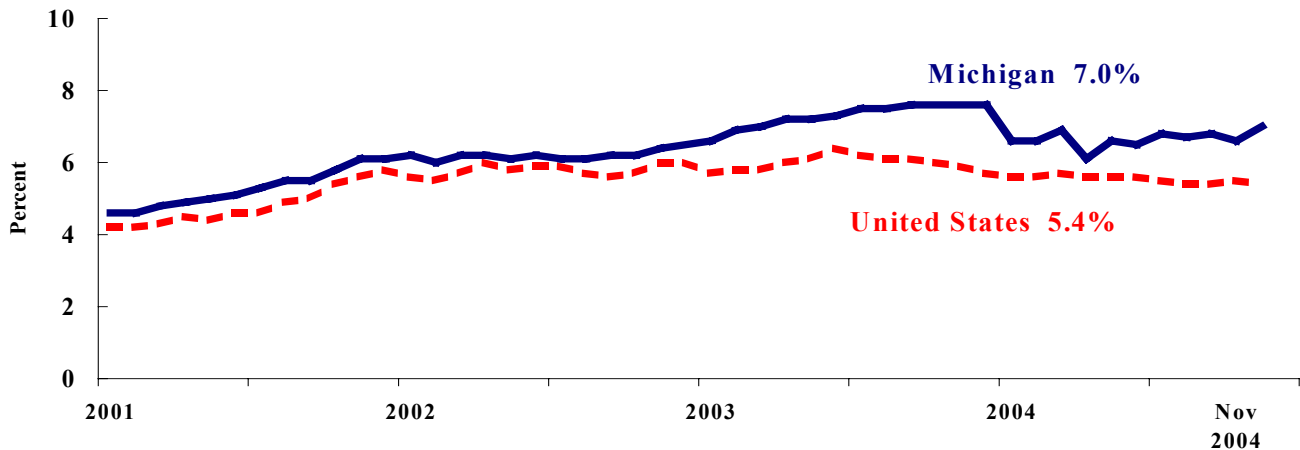
Michigan Employment Falls^(a)



Labor Market Statistics

- Michigan's November monthly unemployment rate rose 0.4 percentage points to 7.0 percent. The current Michigan jobless rate is 0.6 percentage points below a year ago. The November U.S. unemployment rate fell 0.1 percentage points to 5.4 percent and was 0.5 percentage points lower compared to a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2001 to 2004



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,722,000 in November, down 26,000 from last month, while the labor force decreased by 10,000. Therefore, the statewide total number of unemployed rose by 16,000 to 354,000.
- United States household employment totaled 140.3 million persons in November, up 483,000 from October. The labor force rose by 439,000 from last month, which meant that there were 45,000 less unemployed people nationally, compared to October 2004.

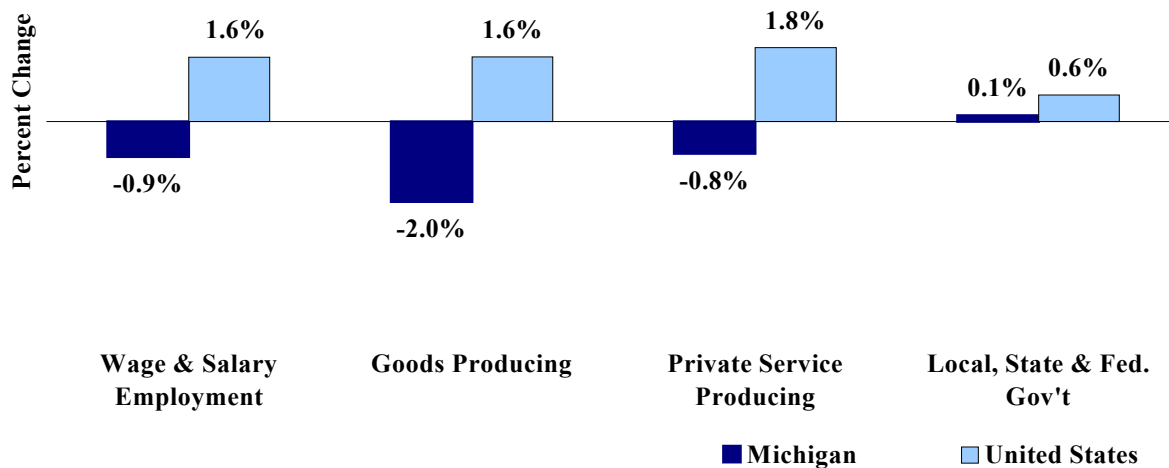
Employment by Place of Residence (in thousands)^(a)

					Change From			
	2003	Sep	Oct	Nov	Prior Month		Last Year	
	Average	2004	2004	2004	Level	%	Level	%
Michigan								
Labor Force	5,042	5,064	5,086	5,076	-10	-0.2%	n.a.	n.a.
Employed	4,674	4,720	4,748	4,722	-26	-0.5%	n.a.	n.a.
Unemployed	368	343	338	354	16	4.7%	n.a.	n.a.
Unemployment Rate	7.3%	6.8%	6.6%	7.0%	n.a.	0.4% pts	n.a.	-0.6%
United States								
Labor Force	146,510	147,483	147,850	148,289	439	0.3%	n.a.	n.a.
Employed	137,736	139,480	139,778	140,261	483	0.3%	n.a.	n.a.
Unemployed	8,774	8,003	8,072	8,027	-45	-0.6%	n.a.	n.a.
Unemployment Rate	6.0%	5.4%	5.5%	5.4%	n.a.	-0.1% pts	n.a.	-0.5%

Employment by Place of Work

- From November 2003 to November 2004, Michigan wage and salary employment declined 38,000 (0.9 percent). State wage and salary employment decreased 12,000 from October. Nationally, November 2004 wage and salary employment rose 2,048,000 (1.6 percent) from a year ago and was up 112,000 from last month.

Wage and Salary Employment Growth November 2003 to November 2004



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector, Michigan employment fell 2.0 percent from a year ago and private service-producing sector employment decreased 0.8 percent compared to last year. From a year ago, November national employment in the goods-producing sector rose 1.6 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours fell in Michigan by 0.4 hours compared to last year.

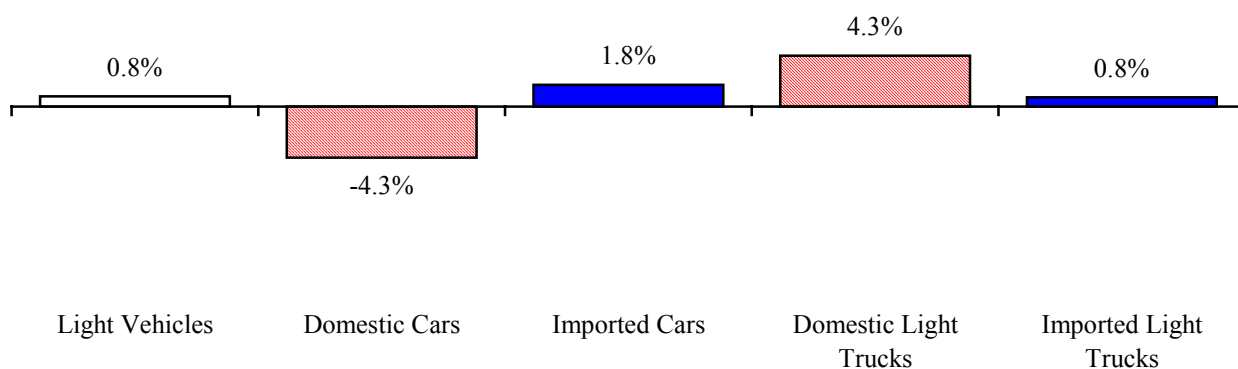
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2003 Average	Nov 2003	Nov 2004	Percent Change	2003 Average	Nov 2003	Nov 2004	Percent Change
Wage & Salary Employment	4,412	4,403	4,365	-0.9%	129,931	130,027	132,075	1.6%
Goods Producing	925	917	899	-2.0%	21,817	21,686	22,028	1.6%
Manufacturing	727	706	699	-1.0%	14,525	14,344	14,400	0.4%
Private Service Producing	2,805	2,811	2,789	-0.8%	86,538	86,797	88,363	1.8%
Trade, Trans. & Utilities	815	813	792	-2.6%	25,275	25,261	25,543	1.1%
Services	1,700	1,705	1,716	0.6%	50,092	50,379	51,550	2.3%
Local, State & Fed. Gov't	681	676	677	0.1%	21,575	21,544	21,684	0.6%
Manufacturing Weekly Hours	42.1	43.2	42.8	-0.4 hrs	40.4	40.8	40.5	-0.3 hrs

Motor Vehicle Industry Sales

- At a 16.3 million unit annual rate, November 2004 light vehicle sales were down 3.4 percent from October and down 3.3 percent from a year ago.
- Compared to a year ago, domestic sales were down 5.1 percent while foreign sales rose 4.0 percent. Auto sales fell 5.1 percent while light truck sales declined 1.8 percent. Light vehicle inventories rose 3.7 percent while days supply increased by 4 days to 79 days.
- Year-to-date 2004 light vehicle sales are up 0.8 percent compared to last year. Domestic light truck sales are up 4.3 percent for the year, while import light truck sales are up 0.8 percent year-to-date in 2004. Domestic car sales are down 4.3 percent year-to-date while import car sales are up 1.8 percent.

2004 Light Vehicle Sales Up Slightly Year-to-Date



Motor Vehicle Sales Statistics

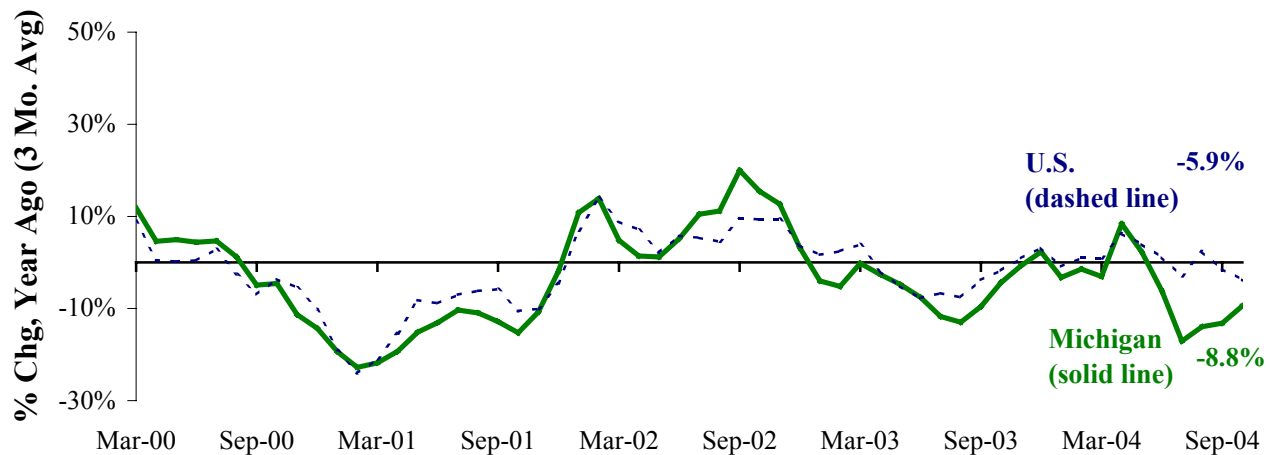
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2003 Average	Sep 2004	Oct 2004	Nov 2004	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.3	7.5	7.3	7.4	(0.4)	-5.1%
Domestics	5.5	5.3	5.1	5.1	5.1	(0.5)	-8.9%
Imports	2.1	2.1	2.5	2.2	2.3	0.1	4.8%
Import Share	27.4%	28.2%	32.8%	30.3%	30.5%	2.9% pts	
Light Trucks	9.0	10.1	9.4	9.0	9.5	(0.2)	-1.8%
Domestics	7.8	8.9	8.1	7.8	8.3	(0.2)	-2.5%
Imports	1.2	1.2	1.3	1.2	1.3	0.0	2.6%
Import Share	13.5%	12.0%	13.9%	13.7%	13.2%	0.6% pts	
Total Light Vehicles	16.6	17.5	16.9	16.3	16.9	(0.6)	-3.3%
Heavy Trucks	0.3	0.4	0.5	0.5	0.5	0.1	22.0%
Total Vehicles	17.0	17.9	17.4	16.8	17.4	(0.5)	-2.8%
U.S. Light Vehicle Inventories^(d)		Sep-04	Oct-04	Nov-04	3 Month	Change	
Total Car	1.552	1.346	1.433	1.508	1.429	-0.038	
Days Supply	63	56	66	70	64	1 day	
Total Truck	2.151	2.261	2.369	2.431	2.354	0.178	
Days Supply	74	68	86	86	80	6 days	

Motor Vehicle Industry Production

- At 206,840 units, November Michigan light vehicle production fell 3.5 percent from a year ago, compared with a 2.7 percent increase nationally.
- Compared with a year ago, state car production fell 24.5 percent while state truck production rose 20.0 percent. Nationally, car production fell 5.3 percent while truck production increased 7.4 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 8.8 percent from a year ago, compared with a 5.9 percent decline nationally. Year-to-date, Michigan vehicle production is down 7.1 percent compared with a 0.9 percent decrease nationally.

Trend Light Vehicle Production Down in Michigan and Nationally



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	Sep 2004	Oct 2004	Nov 2004	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	376.4	381.7	357.3	324.7	354.6	(18.0)	-5.3%
Trucks	634.6	670.4	702.6	627.6	666.8	43.2	7.4%
Total	1,011.0	1,052.1	1,059.9	952.3	1,021.4	25.2	2.7%
Michigan Production ^(f)							
Autos	127.2	112.8	107.7	85.4	102.0	(27.8)	-24.5%
Trucks	104.8	117.7	135.1	121.4	124.8	20.3	20.0%
Total	232.0	230.5	242.8	206.8	226.7	(7.5)	-3.5%
Michigan as % of U.S.	22.9%	21.9%	22.9%	21.7%	22.2%	-1.4% pts	

U.S. Economic Conditions

	<u>Aug-04</u>	<u>Sep-04</u>	<u>Oct-04</u>	<u>Nov-04</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	95.9	94.2	91.7	92.8	-0.9 points
ISM Manufacturing Index ⁽ⁱ⁾	59.0	58.5	56.8	57.8	-3.5 points
ISM Non Manufacturing Index ⁽ⁱ⁾	58.2	56.7	59.8	61.3	1.7 points
	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	
Business Executives' Confidence ^(j)	66.0	73.0	70.0	63.0	-4.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Aug-04</u>	<u>Sep-04</u>	<u>Oct-04</u>	<u>Nov-04</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	189.5	189.9	190.9	191.0	3.5%
Detroit CPI	186.8	NA	187.6	NA	2.3%
U.S. Producer Price Index	148.6	148.7	151.9	151.7	5.0%
INTEREST RATES					
90 Day T-Bill ^(l)	1.48%	1.65%	1.75%	2.06%	1.12% points
Aaa Corporate Bonds ^(m)	5.65%	5.46%	5.47%	5.52%	-0.13% points
INDUSTRIAL PRODUCTION ^(m)					
	116.7	116.6	117.3	117.6	4.2%
CAPACITY UTILIZATION ^(m)					
	77.4%	77.2%	77.5%	77.6%	1.9% points
RETAIL SALES ⁽ⁿ⁾					
	\$336.1	\$341.5	\$344.0	\$344.4	7.2%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Jul-04</u>	<u>Aug-04</u>	<u>Sep-04</u>	<u>Oct-04</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.985	2.018	1.905	2.039	2.8%
Existing Home Sales ^(p)	6.720	6.550	6.760	6.750	5.6%
DURABLE GOODS ORDERS ^(q)					
	\$196.4	\$195.4	\$197.4	\$195.2	5.1%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	<u>% Change From Year Ago</u>
Michigan	\$322.6	\$318.8	\$325.3	\$326.2	3.3%
U.S.	\$9,317.3	\$9,442.7	\$9,590.9	\$9,670.6	5.2%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,580.7	\$10,697.5	\$10,784.7	\$10,891.0	4.0%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.